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Retail Foods

Italian Food Retail and Distribution Sector Report 2018

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Report Highlights:
This report gives an overview of the Italian food retail and distribution sectors and outlines current market trends, including best product prospects. In 2017, grocery retailers reported sales of approximately €71 million. The Italian retail food market is highly diversified. Hypermarkets/supermarkets, convenience stores, major discount stores and specialized stores coexist with traditional corner grocery stores and open- air markets.

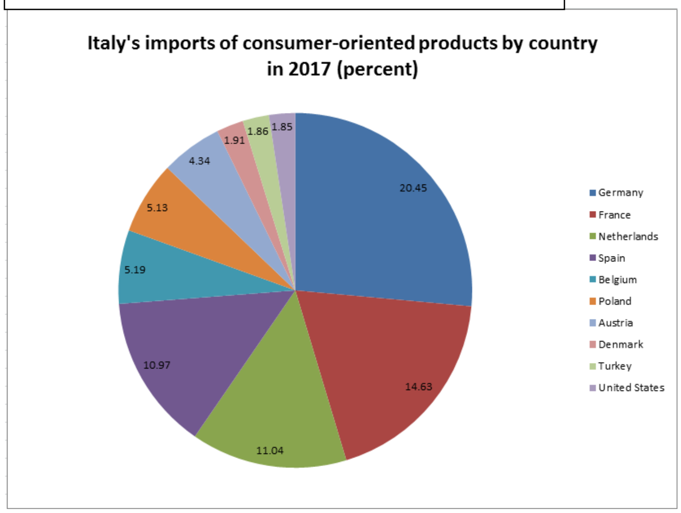
Post:
Rome

Market Fact Sheet: Italy

Executive Summary

Italy is the third-largest economy in the euro-zone, with a GDP estimated at $2.2 trillion and a per capita GDP of $36,800. Being a net agricultural importer, most raw materials and ingredients are imported, as Italy's economic strength is in the processing and the manufacturing of goods. Italy exports mainly consumer products to the United States, while the United States exports mostly bulk commodities to Italy. U.S. agricultural and fish exports to Italy were $1.0 billion and U.S. imports from Italy were $4.6 billion.

Imports of Consumer-Oriented Products



Food Processing Industry

The Italian food-processing industry is highly fragmented, characterized by a growing consolidation of smaller companies. Progress in food technology, marketing innovations, "Made in Italy" products and exports of finished food products have all contributed to Italy's increasing demand for food ingredients. Artisanal products are at the forefront of the packaged food market. Italian consumers continue to favor bakery products, ice cream and confectionery. Traditionally, Italian consumers are a bit suspicious of non-Italian food, which is why the major food processors continue to play it safe by manufacturing more Mediterranean style ready meals.

Food Retail Industry

Italy's food retail distribution system has noticeable differences between the north and south. Italy's diversified industrial economy is divided by a developed industrial north dominated by private companies, and a less-developed agricultural south afflicted with high unemployment. This division is reflected in the distribution of retail outlets, with the majority of the supermarkets located in the north (53 percent), followed by the south (27 percent) and then by the central region of Italy (20 percent).

Quick Facts CY 2017

Imports of Consumer-Oriented Products from the world $22.7 billion

Imports of Consumer-Oriented Products from the United States: $418.5 million

List of Top Growth Products

Pork meat	Snacks	Wine
Beer	Gluten free	Organics
Soybeans	Chocolate	Spirits

Top Retailers

AGORA'	CONAD	EUROSPIN
COOP ITALIA	CRAI	DESPAR
ESSELUNGA	AUCHAN	BENNET
CARREFOUR	FINIPER	IL GIGANTE
LIDL ITALIA	METRO	SELEX

GDP/Population

Population: 62 million
GDP: $2.234 trillion
GDP per capita: $36,800

Strengths/Weaknesses/Opportunities/Challenges

Advantages	Challenges
Food consumption levels are among the highest in the world.	Competition from EU countries that export to Italy tariff free.
Lifestyle changes have increased demand for processed, convenient foods.	Non-tariff barriers, including traceability requirements, can hinder U.S. exports.
Italy is dependent on raw imports for its processed food industry. Italian food products have a reputation for being of high quality.	U.S. exporters new to the Italian market may find the Italian bureaucracy difficult to maneuver.
EU expansion creates new market opportunities for Italian food and drink exports, for which the Italian food processing industry will need additional ingredient inputs.	U.S. products/ ingredients, while innovative, may be perceived as overly processed and less wholesome than their Italian/EU counterparts which are marketed as traditional and seen as having more "natural" ingredients

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Section I. Market Summary

The Italian retail food market is highly diversified. Hypermarkets/supermarkets, convenience stores, major discount stores and specialized stores coexist with traditional corner grocery stores and open- air markets. Italy's food retail distribution system has noticeable differences in terms of sector growth between the north and south. Italy's diversified industrial economy is divided by a developed industrial north dominated by private companies, and a less-developed agricultural south afflicted with high unemployment. This division in reflected in the distribution of retail outlets, with the majority of the supermarkets located in the north, followed by the south and then by the central region of Italy.

In 2017 grocery retailers reported sales of approximately €71 million. As Italian consumers increasingly turn to organic and natural products, Italy faces a proliferation of chains like Ecor NaturaSì. The products in these outlets tend to have higher margins compared to traditional counterparts, therefore all large grocery retailers from Coop to Conad and Selex have started developing their own health and wellness private label lines. In the near future, organic specialists will continue to face strong competition from traditional large grocery retailers, and growth will come from store expansion and increasing sales volumes.

In Italy consumers increasingly have visibility of a larger number of products and prices through online channels. Online grocery shopping is rapidly growing; the boom in sales of tablets and smart phones has meant more access to online shopping. New players will provide more choice to shoppers. Italian consumers look for information online in terms of prices and specifics about the food they eat, how it is sourced as well as its health features. At the moment most of the large grocery retailers and packaged food brands fail to make this information available through their company websites. In the future, direct communication with consumers will be crucial to build and maintain brand awareness. Unlike large grocery retailers, traditional grocery retailers already started working at developing good communication with consumers to explain their products and what is behind them in terms of production processes and sourcing. This looks set to prove successful for them in the forecast period.

Key market drivers and consumption trends

- Ageing population and increased health consciousness of consumers is fueling the demand for health and wellness products, as well as functional food products.
- Increasingly high-paced society and the rising number of single households are driving the demand for convenient ready-to-eat meals, desserts, and baking mixes.
- Ethnic foods, health and super foods, “free from” products (e.g. gluten or lactose free), and locally grown are further trends that attract more and more Italian consumers.
- Consumers increasingly require traceability and information about production methods.

Sales in Traditional Grocery Retailers by Channel: Value 2012-2017

EUR million	2012	2013	2014	2015	2016	2017
Food/Drink/Tobacco Specialists	18,611.6	18,259.4	18,259.7	18,662.5	18,965.8	19,304.7
Independent Small Grocers	13,731.9	13,579.5	13,470.9	13,402.2	13,443.7	13,535.1
Other Grocery Retailers	2,330.0	2,309.4	2,293.3	2,281.8	2,287.5	2,309.0
Traditional Grocery Retailers	34,673.5	34,148.4	34,023.9	34,346.5	34,697.0	35,148.8

Sales in Traditional Grocery Retailers by Channel: % Value Growth 2012-2017

% current value growth, retail value rsp excl sales tax	2016/17	2012-17 CAGR	2012/17 Total
Food/Drink/Tobacco Specialists	1.8	0.7	3.7
Independent Small Grocers	0.7	-0.3	-1.4
Other Grocery Retailers	0.9	-0.2	-0.9
Traditional Grocery Retailers	1.3	0.3	1.4

Traditional Grocery Retailers Outlets by Channel: Units 2012-2017

outlet	2012	2013	2014	2015	2016	2017
Food/Drink/Tobacco Specialists	113,525.0	116,444.0	114,976.0	114,860.0	115,993.0	117,284.0
Independent Small Grocers	76,619.0	75,309.0	72,779.0	70,232.0	68,125.0	66,183.0
Other Grocery Retailers	41,731.0	41,314.0	40,971.0	40,766.0	40,481.0	40,076.0
Traditional Grocery Retailers	231,875.0	233,067.0	228,726.0	225,858.0	224,599.0	223,543.0

Source: Euromonitor

Advantages	Challenges
Italians are traveling more and becoming more aware of foreign cuisines.	Competition in the Italian food market is fierce and many consumers still prefer traditional Italian products.
Italy is a member of the Euro zone, which eases market entry.	The Italian retail sector is extremely fragmented, and the mandatory customs duties, sanitary inspections, and labeling requirements can be onerous.
Interest in new and innovative products, especially with a health benefit.	Competition from similar food products produced in other EU countries that enter tariff free.
American food and food product remain quite popular in Italy.	Complying with European and Italian Regulations.
Interest in new and innovative products, especially with a health benefits.	Competition from similar food products produced in other EU countries that enter tariff free.
Italian consumers demand quality, innovative, healthy products	Adapting products to Italian consumer tastes and expectations

Section II. Road Map for Market Entry

The best way to begin exporting to Italy is to either identify a key importer, broker, distributor, agent or wholesaler as they know how to best navigate the import and distribution process and are able to engage directly with Italian food retailers. They are key to doing business in Italy.

Food importing is a specialized business, and an importer plays a pivotal role in navigating the hurdles of Italian and EU food law. Importers normally carry a whole range of products. The terms and length of association between the U.S. Company and the Italian company are normally established by contract.

Italian importers are usually small to medium-sized companies, rather than the large, market-dominating varieties found in northern Europe. Consequently, these companies import on a smaller scale, but often a broader range of products than their much larger counterparts. Most imported food products enter the Italian market through brokers or specialized traders. Price is an increasingly important basis for import purchase decisions, although quality and novelty do move some products. Imported products from North America often enter Italy indirectly from the Netherlands' Port of Rotterdam or directly via air.

- Survey existing and potential opportunities by reviewing FAS GAIN reports and consider engaging a market research firm to assist in analyzing market opportunities and challenges.
- Establish a relationship with an Italian importer/distributor that provides services to the food-processing or retail sectors.
- Be prepared to start small by shipping a few pallets or cases of a product and recognize that it could take several months or years before an importer is ready to order full containers. Italians place a lot of importance on first building the trust to consolidate the business relationship.
- Be willing to meet special EU labeling requirements and consider working through a consolidator or participating in mixed container shipments.
- Participation in some of the larger European international food trade shows (ANUGA and SIAL) offers a good opportunity to get a sense of the Italian market and provides the opportunity to meet potential Italian importers or distributors. Market entry to the Italian retail sector requires patience and substantial homework on the part of the U.S. exporting company to ensure that all import regulations and labeling laws are met.

Section III. Competition

Product Category Total imports 2017 (quantity/value)	Major supply sources (% value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Fresh Fruit Imports: 2 million tons Value: $2 billion	Spain – 29% Ecuador – 11% Costa Rica – 10%	Spain is geographically close and has developed a long-standing reputation in the market. Ecuador and Costa Rica are price competitive.	Increased domestic consumption. Local suppliers are affected by rising production costs.
Wine Imports: 404 million liters Value: $719 million	France – 61% Spain – 20%	France and Spain have developed a long-standing reputation in the market and are price competitive.	The United States is the fourth largest wine producing country in the world after Italy, France, and Spain. American wines offer great value, with prize-winning vintages at reasonable prices, and are increasingly available in Italy and Europe.
Beer Imports: 659 million liters Value: $595 million	Germany – 31% Belgium –25% Denmark – 11%	Germany, Belgium, and Denmark are geographically close, have developed a long-standing reputation in the market, and are price competitive.	Although the Italian drinking culture has always been focused on wine, things have been changing recently. The beer market is growing with increased imports, new breweries and pubs where high quality beer is served at reasonable prices.
Snack Foods Imports: 162,349 tons Value: $537 million	Germany – 22% Austria – 19% France – 12%	Germany, Austria, and France are geographically close and have developed a long-standing reputation in the market.	Good demand for salty, sweet, and chocolate products. Growing demand for new exotic flavors (olive oil, chili…), combined with a healthier content.
Chocolate Imports: 79,198 tons Value: $366 million	Germany – 44% Belgium – 15% France – 14%	Germany, Belgium, and France are geographically close and have developed a long-standing reputation in the market.	Growing demand from manufacturers, confectionary and snack industry.

Section IV. Best Product Prospects

Commodity	Imports 2017 $	Imports from U.S. $	2013-2017 Average annual import % growth	Key constraints over market development	Market attractiveness for the U.S.
Pork meat	2.4 billion	432,191	+8.28	Competition from other EU countries.	Increasing domestic consumption.
Soybeans	607 million	68.6 million	+5.76	Competition from Brazil.	Growing demand from the Italian feed industry.
Beer	595 million	3.2 million	+19.56	Competition from EU countries. Transport costs and time.	Italian drinking culture is changing. The beer market is growing with increased imports, new breweries and pubs where high quality beer is served at reasonable prices.
Chocolate	366 million	270,952	+25.99	Competition from other EU countries.	Growing demand from manufacturers, confectionary and snack industry.
Pulses	294 million	52.2 million	+13.30	Competition from Italy.	Italy is a large consumer of pulses, and pulse ingredients are used in many food products.

Products not present in significant quantities but which have good sales potential:

- Functional and health food
- Free-from products (lactose-free, gluten-free)
- Specialty foods, snack foods and sauces
- Organic Products

Products not present because they face significant trade barriers:

- Beef, other than that sold through the High Quality Beef Quota
- Poultry (sanitary procedures – chlorine wash)
- Processed food products containing biotech ingredients

Section VI. Key contacts and further information

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FAS Italy publishes numerous market and commodity reports available through the Global Agricultural Information Network (GAIN):
www.fas.usda.gov/data/search?f[0]=field_countries%3A39&f[1]=field_countries%3A371